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2. Spaak satisfied with French action on Germany--According to US Ambassador Kirk, Belgian Prime Minister Spaak feels that the action of the French Assembly in accepting the London recommendations on Germany is very satisfactory. Spaak believes that the French reservations, which he regards as "completely face-saving," are unlikely to cripple the implementation of the agreements.

EUROPE

3. FRANCE: Next three months believed critical for Government--US Embassy Paris reports that a majority of political leaders and qualified observers believe the Schuman Government has little chance to survive the next three months unless the Cabinet is soon reshuffled. Foreign Minister Bidault expects to be forced out of office within a few days as a result of his position on the London recommendations, although the Embassy believes

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that Premier Schuman will try to prevent this. The Embassy observes that of the various hurdles which the Government must surmount between now and August, the most serious is the problem of wages and prices, particularly in relation to the price of coal. The Embassy says that the Cabinet is split on how to handle this question. The Embassy reports a general belief that if the Schuman Government can remain in power until Parliament adjourns in the latter part of August, the Government will probably be able to last until after the October elections.

(CIA Comment: Although Bidault's prestige has undoubtedly been damaged by the widespread censure, both public and parliamentary, of his sponsorship of the London recommendations, there is as yet no concrete evidence to indicate that steps are being taken to replace him.)

4. YUGOSLAVIA: Challenge to Kremlin authority seen--US
Charge Reams in Belgrade believes that Yugoslav insistence upon Belgrade as the site of the Danubian Conference, instead of some other Satellite capital as proposed by the USSR, represents the first direct and irrevocable challenge by a Satellite to the Kremlin's supreme authority. According to Reams, Soviet acceptance of Tito's request reflects the Kremlin's belief that Tito's position is strong enough to require the "traditional gradual undermining."

(CIA Comment: CIA agrees that the Kremlin will not take any drastic steps immediately to "discipline" Tito. However, this incident has highlighted for the Kremlin the need for reconciling within the Satellite states the conflict between national interests and international Communism. Consequently, the USSR may either tighten its controls over the Satellites by expanding direct Soviet participation in Satellite governments or attempt to ease the "nationalist" opposition among Satellite Communists by making some economic concessions.)

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